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OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION

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September 30, 2003

RE: 2002 Service Quality Reports for Electric Distribution and Local Gas Distribution Companies, D.T.E. 03-10 through D.T.E. 03-23.

Dear Electric and Gas Distribution Companies:

In Service Quality Standards for Electric Distribution Companies and Local Gas Distribution Companies, D.T.E. 99-84 (2001), the Department of Telecommunications and Energy ("Department"), established service quality ("SQ") guidelines to be included in performance-based regulation ("PBR") plans for gas and electric distribution companies pursuant to G.L. c. 164, § 1E ("Guidelines"). In subsequent Orders, the Department explained that the Guidelines' measures, benchmarks, and penalties also apply to those distribution companies operating under merger-related or acquisition-related rate plans. See, e.g., NSTAR Service Quality, D.T.E. 01-71A at 8-9, 12-18 (2002); MECo Service Quality, D.T.E. 01-71B at 16-26 (2002); D.T.E. 99-84, Letter Order at 5-6 (May 28, 2002); D.T.E. 99-84, Letter Order at 3-6 (April 17, 2002).

Pursuant to D.T.E. 99-84, Att. 1, at 17, each gas and electric distribution company filed its 2002 annual service quality report ("Companies' Filings"), with the Department in early 2003. The Department docketed the Companies' Filings as D.T.E. 03-10 through D.T.E. 03-23.<sup>1</sup>

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<sup>1</sup> The docket numbers are as follows: Bay State Gas Company, D.T.E. 03-10, Berkshire Gas Company, D.T.E. 03-11, Blackstone Gas Company, D.T.E. 03-12, Boston Edison Company, D.T.E. 03-13, Boston Gas Company, D.T.E. 03-14, Cambridge Electric Light Company, D.T.E. 03-15, Colonial Gas Company, D.T.E. 03-16, Commonwealth Electric Company, D.T.E. 03-17, Essex Gas Company, D.T.E. 03-18, Fitchburg Gas and Electric Light Company, D.T.E. 03-19,

(continued...)

In their SQ filings, Massachusetts Electric Company (“MECo”) and Nantucket Electric Company (“Nantucket”) acknowledge they failed to meet their requisite benchmarks in the System Average Interruption Duration Index (“SAIDI”) and System Average Interruption Frequency Index (“SAIFI”) (MECo Filing at § II-1). MECo states that, according to its SQ plan approved by the Department in Massachusetts Electric Company/Nantucket Electric Company, D.T.E. 01-71B at 24 (2002), its failure to meet its SAIDI and SAIFI benchmarks results in a penalty of \$5,936,250.00 (id.). MECo, however, notes that it exceeded its performance benchmarks in the Non-Emergency Telephone Calls and Consumer Division Cases, resulting in \$799,766.00 and \$248,121.00, respectively, available for offsets (id.). Therefore, MECo concludes it is entitled to offset its SAIDI and SAIFI penalties by \$1,047,887.00, resulting in a net penalty of \$4,888,363.00 (id.).

Similarly, Nantucket reports that it failed to meet its requisite SAIDI and SAIFI benchmarks. Nantucket states that, according to its SQ plan also approved by the Department in D.T.E. 01-71B at 24, its failure to meet its SAIDI and SAIFI benchmarks results in a total penalty of \$16,057.00. Nantucket offsets this amount by \$9,515.00, which it earned for exceeding its benchmark in the Non-Emergency Telephone Calls measure (Nantucket Filing at § II-1). Nantucket therefore, concludes it incurred a net penalty of \$6,542.00 (id.).

The Department has reviewed MECo and Nantucket’s SQ reports, credit proposal, and responses to discovery. Based on this review, the Department concludes that MECo and Nantucket have reported their SQ performance and calculated their penalties in a manner consistent with our Guidelines and D.T.E. 01-71B.

MECo and Nantucket incurred penalties because of poor performance in the SAIDI and SAIFI SQ categories (MECo Filing at § II-1, Nantucket Filing at § II-1). Consistent with D.T.E. 01-71B at 21, MECo and Nantucket have submitted a joint proposal to credit their customers the net penalty amounts (MECo Third Supplemental Filing). MECo and Nantucket propose a credit factor of 0.284 cents per kilowatt hour for bills rendered during the month of October 2003 (id.).

The Department has previously stated that SQ penalties are “a pre-estimate of ‘damages’ to ratepayer interests for which they must be compensated.” D.T.E. 99-84 at 44 (August 17, 2000). The Department has also stated that SQ penalties serve a twofold purpose: to secure performance by the utility; and to stipulate damages to be paid to the customer in lieu

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<sup>1</sup>(...continued)

Massachusetts Electric Company/Nantucket Electric Company, D.T.E. 03-20, NSTAR Gas, D.T.E. 03-21, Southern Union d/b/a/ New England Gas, D.T.E. 03-22, Western Massachusetts Electric Company, D.T.E. 03-23.

of performance. Id. The goal is to compensate customers for substandard service. Ideally, then, only those customers who sustained substandard SQ would be compensated.

MECo and Nantucket's joint proposal, however, provides a monetary credit to all their customers, even those customers who did not experience substandard SQ. Therefore, the Department directs MECo and Nantucket to submit a new credit proposal, within three weeks, that addresses the goal of concentrating the credit to customers who actually experienced substandard SAIDI or SAIFI performance. The Department directs MECo and Nantucket to address the goal of compensating their customers who experience substandard SQ.

Boston Gas Company ("Boston Gas"), Essex Gas Company ("Essex"), Colonial Gas Company ("Colonial"), and Cambridge Electric Light Company ("Cambridge") also report that they have failed to meet their requisite SQ benchmarks in certain measures.<sup>2</sup> These companies also state that, according to their SQ plans approved by the Department, any penalties are offset by their superior performance in other SQ measures so that they have no net penalties.<sup>3</sup> Based on a review of their SQ reports and responses to discovery, the Department concludes that Boston Gas, Essex, and Colonial, as well as Cambridge have reported their SQ performance and calculated their penalties in a manner consistent with our Guidelines and their SQ plans.<sup>4</sup>

Blackstone Gas Company ("Blackstone"), Fitchburg Gas and Electric Light Company ("Fitchburg"), and Western Massachusetts Electric Company ("WMECo") also report that

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<sup>2</sup> Boston Gas reported that it failed to meet its requisite benchmark in Telephone Answering (Boston Gas Filing at I-1); Essex reported substandard performance in Telephone Answering (Essex Filing at I-1); Colonial reported substandard performance in Bill Adjustments (Colonial Filing at I-1); and Cambridge reported substandard performance in SAIDI and Consumer Division Cases (Cambridge Filing at I-1).

<sup>3</sup> Boston Gas reported superior performance in Odor Calls Response (Boston Gas Filing at I-1); Essex reported superior performance in Service Appointments Kept, Meter Reads, Consumer Division Cases, Lost Time Accident Rate, and Odor Calls Response (Essex Filing at I-1); Colonial reported superior performance in Odor Calls Response (Colonial Filing at I-1); and Cambridge reported superior performance in Telephone Answering and Lost Time Accident Rate (Cambridge Filing at I-1).

<sup>4</sup> The Department approved the SQ plans for Boston Gas, Essex, and Colonial SQ in D.T.E. 99-84, Letter Order (April 17, 2002). The Department approved the SQ plan for Cambridge in D.T.E. 99-84, Letter Order (December 5, 2002).

they failed to meet certain SQ benchmarks outlined in the Guidelines.<sup>5</sup> These companies, however, are not subject to either a PBR or a merger-related rate plan. D.T.E. 99-84, Letter Order at 5 (April 17, 2002). Consequently, the reports are for informational purposes only, and, unless otherwise addressed by the Department, these companies are not subject to penalties.

Six distribution companies report that, according to their SQ plans approved by the Department, they met or exceeded their established benchmarks in all SQ penalty measures and, therefore, had no penalties: Berkshire Gas Company, Bay State Gas Company,<sup>6</sup> Boston Edison Company, Commonwealth Electric Company, New England Gas Company, and NSTAR Gas Company. Based on a review of their SQ reports and responses to discovery, the Department concludes that these distribution companies have provided service quality consistent with the Guidelines and their SQ plans.<sup>7</sup>

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<sup>5</sup> Blackstone reported substandard performance in Consumer Division Cases, but superior performance in Odor Calls Response (Blackstone Filing at I-1); Fitchburg reported substandard performance in SAIDI and SAIFI, but superior performance in Telephone Answering, Service Appointments Kept, and Lost Time Accident Rate (Fitchburg Filing at I-1); WMECo reported substandard performance in SAIDI and SAIFI, but superior performance in Meter Reads, Telephone Answering, and Bill Adjustments (WMECo Filing at I-1).

<sup>6</sup> Although Bay State Gas Company's SQ was consistent with the Guidelines and its SQ plan for 2002, the Department notes that in June 2003, Bay State's New Hampshire affiliate, Northern Utilities, reported to the New Hampshire Public Utilities Commission declines in the SQ Telephone Answering measure during the first five months of 2003 (Report dated June 2003 to New Hampshire Public Service Commission by Northern Utilities, Inc., New Hampshire Division, Att. B.). Bay State states that personnel changes caused the degradation in Telephone Answering SQ performance and that its hiring of additional personnel has rectified the problem (Response to Information Request DTE 7-1). Bay State's SQ statement for the month of July, which indicates Bay State answered 89.6% of its calls within 30 seconds, supports Bay State's position but we will continue evaluating Bay State's monthly results (*id.*).

<sup>7</sup> The Department approved the SQ plans for Berkshire Gas Company, New England Gas Company, NSTAR Gas Company in D.T.E. 99-84, Letter Order, (April 17, 2002). The Department approved the SQ plans for Boston Edison Company and Commonwealth Electric Company in D.T.E. 99-84, Letter Order, (December 5, 2002).

In D.T.E. 99-84, at 42, the Department limited the term of the Guidelines, as well as SQ plans created to incorporate the Guidelines, to three years. In a separate, generic proceeding, the Department will review the adequacy of the Guidelines and the SQ plans formulated therefrom. This review will include both appropriate benchmarks and whether the continued use of offsets is appropriate.

By Order of the Department,

\_\_\_\_\_/s/\_\_\_\_\_  
Paul G. Afonso, Chairman

\_\_\_\_\_/s/\_\_\_\_\_  
James Connelly, Commissioner

\_\_\_\_\_/s/\_\_\_\_\_  
W. Robert Keating, Commissioner

\_\_\_\_\_/s/\_\_\_\_\_  
Eugene J. Sullivan, Jr., Commissioner

\_\_\_\_\_/s/\_\_\_\_\_  
Deirdre K. Manning, Commissioner

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<sup>7</sup>(...continued)

The Department approved the SQ plan for Bay State Gas Company in D.T.E. 99-84 (May 28, 2002).